

STATE OF WISCONSIN
DEPARTMENT OF HEALTH AND SOCIAL SERVICES
DIVISION OF MANAGEMENT SERVICES
BUREAU OF FISCAL SERVICES

ACCOUNTING POLICY

TOPIC: Audit 6.0	EFFECTIVE DATE: 11/25/87
TITLE: Financial Coverage for Disallowances	REVISION DATE: 10/31/92
AUTHORIZED BY: Donald N. Warnke, Director	PAGE 1 OF 3

BACKGROUND

Since the budget is prepared significantly in advance of when final federal appropriations are known, actual federal funding levels could be greater than anticipated in the biennial budget process. The Department, through its claiming process in the Bureau of Fiscal Services (BFS), makes every effort to maximize funds, if possible, beyond those anticipated in the budget, as availability of federal funds becomes known. These funds are designated as "excess federal reimbursement."

These funds have two major characteristics:

- These federal funds, which can be successfully claimed, are over and above the biennial budget.
- The funds are either reimbursement for past GPR expenditures, changes in federal matching ratios, or payment for expenses which would otherwise be billed to GPR budgeted for that purpose.

This Department has taken steps to assure that all excess Federal revenues are identified and notification has been made to the Department of Administration (DOA) and the Joint Finance Committee (JFC). See **FEDERAL FUNDS 2.0 (Administration of Joint-Funded Programs and Excess GPR Revenue)**.

POLICY

Because these funds are claimed and earned over budgeted levels or after the close of a fiscal year, they are Department funds for decision making and should not be viewed as division or program specific. Moreover, program units should not be make commitments from these funds or count on these funds to pay for federal disallowances.

Past practice was to use some of the excess federal revenues to pay federal audit disallowances. However, this practice has often lead to the incorrect expectation that disallowances would always be covered by Department funds. This practice served as a disincentive to prevent administrative disallowances.

This policy is adopted to promote more cost effective initiatives that prevent or resolve federal disallowances.

For all funds recorded after June 1987 and not already disseminated by the Department, the following policy will be in force:

- A. A "cost sharing" ratio is estimated whereby each division will pay from its operating budget a share of disallowances or sanctions resulting from:
1. All subsequent disallowances or sanctions resulting from errors not being corrected after receipt of the first disallowance.
 2. Divisions failing to correct obvious or previous coding and claiming errors.
 3. A failure to correct a situation that had no basis for an initial claim.

<u>Disallowance/Sanction</u>	<u>Amount To Be Paid By Division</u>	
\$0 through \$25,000	100%	
25,001 through \$75,000	75%	(but not less than \$25,001)
75,001 or more	25%	(negotiated but not less than \$75,001)

- B. For other disallowances and sanctions, divisions will be requested to provide an explanation as to why the above cost sharing ratios should not be imposed. For disallowances that resulted from mistaken or unavoidable practices, excess federal funds will continue to be considered and requested through DOA.

If large amounts have to be covered by Department resources rather than division funds (above the \$75,001 level), the division receiving the discretionary coverage will make arrangements to pay an amount back to the Department fund used for this purpose.

This policy will be effective for all disallowances/sanctions settled after July 1987. The amount of division cost sharing on a particular disallowance may be appealed to the Division of Management Services (DMS).

PROCEDURES

1. All funds conforming to the DHSS policy on excess federal reimbursement (**FEDERAL FUNDS 2.0**) will be moved to Appropriation 962 in organization 820 and cannot be committed or encumbered by any unit in the division.
2. Quarterly, an "Inventory of Excess Federal Reimbursement" will be prepared detailing the amounts deposited in Appropriation 962 and sent by the Director, BFS to the Director of the Office of Policy and Budget and Administrator, Division of Management Services.
3. Amounts approved by DOA and JFC for use will be transferred to the respective divisions' inter-agency appropriations.

4. Enforcement of the cost-sharing policies under A and B above are the responsibility of the Management Directors in each division in conjunction with the Director of the Bureau of Fiscal Services.

REFERENCE

**FEDERAL FUNDS 2.0 (Administration of Joint-Funded Programs and Excess
GPR Revenue)**

CONTACT PERSON

Sally A. Acuff, Chief
Special Services Section
(608) 266-9576